

Message Text

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ACTION DLOS-06

INFO OCT-01 IO-13 ISO-00 FEA-01 ACDA-07 AGRE-00 AID-05
CEA-01 CEQ-01 CG-00 CIAE-00 COME-00 DODE-00 DOTE-00
EB-08 EPA-01 ERDA-05 FMC-01 TRSE-00 H-01 INR-07
INT-05 JUSE-00 L-03 NSAE-00 NSC-05 NSF-01 OES-06
OMB-01 PA-01 PM-04 PRS-01 SP-02 SS-15 USIA-06 SAL-01
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C O N F I E N T I A L GENEVA 1863

PASS TO ALL US EMBASSIES, USUN, USEC
E.O. 11652: GDS
TAGS: PLOS
SUBJECT: LOS: WEEKLY SUMMARY OF INFORMAL EVENSEN INTERSESSIONAL
MEETING, MARCH 7-11

REF: GENEVA 1774

1. THE SECOND WEEK OF THE EVENSEN INTERSESSIONAL LOS MEETING
CONTINUED THE PREVIOUS WEEK'S DISCUSSION ON THE SYSTEM OF
EXPLOITATION, WITH EMPHASIS ON AWARDING CONTRACTS AND THE
BANKING SYSTEM. IN ADDITNON, THE GROUP DEALT WITH FINANCING
THE EMTERPRISE, RESOURCE POLICY (ART. 9), AND REVIEW PROVISIONS.
THE GENERALLY MODERATE TONE OF THE FIRST WEEK WAS SUSTAINED,
INTERRUPTED ONLY PRIEFLY IN THE DISCUSSION OF RESOURCE POLICY
(ART. 9).

2. DISCUSSION ON THE REGIME FOR SEDBED MINING DEALT WITH THE
PRECEDURES FOR AWARDING CONTRACTS. ON THE QUESTION OF THE
AMOUNT OF DISCRETION TO RESIDE WITHTHE AOTHORITY, PERU, SRI
LANKA, INDIA AND IRAN SUPPORTED WIDE DISCRETIONARY AUTHORITY
WHEREAS THE UK, NETHERLANDS, ITALY AND THE US TOOK A
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NARROWER VIEW. REGARDING WHETHER THERE SHOULD BE COMPETITION
AMONH APPLICANTS IN THE CONTRACT AWARDING PROCESS, THE UK AND
THE USSR PUSHED FOR NO COMPETITTIO, FRANCE AND JAPAN WANTED A
LIMITATION ON COMPETITION AND BRAZIL AND IRAN ARUED FOR
MAXIMUM COMPETITION. RICHARDSON (US) INDICATED THAT HE
FAVORED A SYSTEM BASED ON A FIRST COME-FIRST SERVED PRINCIPLE,
SINCE IT WOULD BEST INSURE NON-DISCRIMINATORY TREATMENT FOR

APPLICANTS. THE ISSUE OF WHETHER BANKING OF RESERVED SITES SHOULD OCCUR AFTER PROSPECTING OF AFTER THE EXPLORATION PHASE PRODUCED A LINEUP WITH VIRTUALLY ALL THE VOCAL LDOS ADVOCATING THE SPLIT AFTER EXPLORATION AND ALMOST ALL POTENTIAL MINERS (UK, FRANCE, FRG, JAPAN, US) TAKING THE OTHER VIEW. THERE WAS SOME AGREEMENT WITH THE US VIEW THAT THE APPLICANT SHOULD IDENTIFY THE TWO AREAS BETWEEN WHICH THE AUTHORITY SHOULD CHOOSE, RATHER THAN THE AUTHORITY BOTH DIVIDING THE AREA AND MAKING THE CHOICE.

3. MEXICO, INDIA, SRI LANKA, AND US PUT FORTH PROPOSALS ON FUNDING THE ENTERPRISE. MEXICAN PROPOSAL WOULD RELY ON FEES AND ROYALTIES AS WELL AS BORROWINGS FROM PRIVATE CAPITAL MARKETS AND FROM INTERNATIONAL FINANCIAL INSTITUTIONS (ASSUMING THEIR CHARTERS COULD BE AMENDED). INDIA RECOMMENDED USING FRONT END FEES, ROYALTIES AND A STAGGERED ACCESS SYSTEM WITH SERVICE CONTRACTS ON THE ENTERPRISE HALF OF THE PARALLEL SYSTEM. SITES WOULD BE EXPLOITED IN TURN FIRST A CONTRACT SITE FOR A PRIVATE OPERATION AND THEN AN ENTERPRISE SITE, AND SO FORTH. SRI LANKA DISCUSSED HOW NATIONAL TAX SYSTEMS COULD INDIRECTLY SUBSIDIZE THE DEVELOPMENT OF THE ENTERPRISE BY GRANTING EXEMPTIONS FOR OCEAN MINING AND THE ENTERPRISE. A MAJOR US STATEMENT PRESENTED OUR PRINCIPLES ON FINANCING THE ENTERPRISE, WHICH PREVIOUSLY HAD ONLY BEEN DISCUSSED WITH G-5 AND EC. THE STATEMENT EXAMINED THE POSSIBILITY OF USING A DEBT FINANCING PROGRAM OF PAID-IN AND CALLABLE CAPITAL. FOR THE US, APPROVAL OF SUCH A DEBT PROGRAM HINGED ON THE CONFERENCE ACCEPTING A GENUINE PARALLEL SYSTEM WITH ASSURED ACCESS.

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4. ARTICLE 9 OF THE RSNT, RESOURCE POLICY, CAME UNDER FRONTAL ASSAULT. LEADING THE ATTACK WERE SOME KEY ACTORS WHO HAD NEGOTIATED THE 1976 COMPROMISE TEXT (BRAZIL AND PERU) AS WELL AS OTHERS (SOME OF WHOM RESENTED HAVING BEEN EXCLUDED FROM THE SECRET NOTTING GROUP) (CANADA, VENEZUELA, INDONESIA,

COLOMBIA, CUBA). THEY VARIOUSLY CALLED FOR TIGHTENING PRODUCTION CONTROLS; ALLOWING THE 20-25 YEAR TIME LIMIT ON PRODUCTION CONTROLS TO BE EXTENDED UNTIL BROAD COMMODITY AGREEMENTS WERE REACHED, WIDENING THE AUTHORITY'S POWER TO ENTER INTO COMMODITY AGREEMENTS AFFECTING ALL PRODUCTION IN THE AREA; AND INCLUDING EXPLICIT PRODUCTION LIMITS FOR ALL NODULE MINERALS, NOT JUST NICKEL. CHILE REMAINED CLOSEST TO TEXT, MAINLY SEEKING EXTENSION OF TIME PERIOD.

5. THE US (RICHARDSON) REMINDED THE GROUP THAT ART. 9 ALREADY REPRESENTED A MAJOR DEPARTURE OF PRINCIPLE FOR THE US. WHILE IT WAS ACCEPTABLE TO US IN ITS PRESENT FORM,

ANY CHANGES WOULD COMPEL US TO REVIEW ART. 9 AGAIN IN THE LIGHT OF OUR GENERAL POLICY ON PRODUCTION LIMITATIONS. THE UK,FRG,NETHERLANDS AND ITALY ALSO WEIGNED IN TO PRESERVE ART. 9 INTACT, BUT THESE INTERVENTIONS DID NOT MUTE SHARP CRITICISM.

6. THE DISCUSSION OF REVIEW CLAUSES AND PROVISIONAL REGIMES DID NOT PRODUCE ANY NEW FORMULATIONS FROM THOSE OFFERED IN THE PREVIOUS WEEK (SEE REFTEL). BUT THERE WAS LESS CMPHASIS BY DEVELOPING COUNTRY SPOKESMEN ON THE NOTION OF PHISING OUT THE PARALLEL SYSTEM

7. ANALYSIS OF FULL TWO-WEEK MEETING WILL BE PREPARED IN WASHINGTON, WHERE MORE DETAILED REPORT WILL BE CIRCULATED.CATTO

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